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Latin America Review

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12 September 1986

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**Latin America
Review**

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[redacted]

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Venezuela: Politics and Labor [redacted]

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Labor's traditionally important role in the ruling Democratic Action party is likely to grow even more as party leaders seek to thwart the electoral ambitions of former President Carlos Andres Perez, who leads the party's populist wing. [redacted]

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Paraguay's Opposition Parties [redacted]

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[redacted]

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Although still too weak to threaten President Stroessner's rule directly, opposition parties—through attempts to unify parties and a push for a government-opposition dialogue—are working to increase their influence and promote a transition to democracy. [redacted]

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Briefs

Colombia: Guerrilla Offensive [redacted]

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[redacted]

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Articles have been coordinated as appropriate with other offices within CIA. Comments and queries regarding this publication may be directed to the Chief, Production Staff, Office of African and Latin American Analysis, [redacted]

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**Latin America
Review**

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Articles**Haiti: Political Activity
Increasing**

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Groups across the political spectrum have increased their activities in preparation for Haiti's presidential election scheduled for November 1987, but strong front-runners have yet to emerge from a field that reportedly includes as many as 200 contenders. According to the US Embassy in Port-au-Prince, most moderate politicians accept the basic provisions of the political parties law decreed in July, and several leading moderates have moved to register their parties. The far left, however, led by the Unified Party of Haitian Communists, uniformly rejects the law's stipulations. The left in general apparently still hopes to take part openly in the political process, but Communists and other radicals are likely to continue clandestine subversive activities. Meanwhile, old-guard Duvalierists in the government and far-right members of the business community are keeping a low profile but mustering their forces and preparing to identify and back a strong candidate sympathetic to their interests.

Moderates

According to the Embassy, most of the leading moderate presidential contenders—such as Marc Bazin, Hubert DeRonceray, Gregoire Eugene, and Leslie Manigat—have indicated their desire to work according to the ruling council's ground rules in registering their parties.

Sylvio Claude will not register his Christian Democratic Party at least until a constitution is in place. The most controversial provision of the political parties law is the requirement that the names of 5,000 members be submitted to the government before a party can be legalized. Claude, who claims his party has 40,000 members, rejects the government's decree because of the ruling council's ties to the Duvalier regime.

Some moderates have complained publicly about the ruling council's handling of the democratic transition. Bazin, Eugene, Claude, and exiled politician Louis Dejoie met in Puerto Rico in August to discuss electoral strategy and goals. According to press reports, the four leaders called for the ruling council to create an electoral board to oversee the building of a political infrastructure to facilitate the election. The politicians probably fear that the absence of such a body could delay or corrupt the electoral process.

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Although leading moderates have had some organizational success, they also have come under domestic criticism. Some critics reportedly say that Bazin, Manigat, and Dejoie have been away from Haiti too long to garner widespread internal support. The Embassy says Eugene's reputation was tarnished somewhat when he became the only opposition leader to register his party last December under a law promulgated by the Duvalier regime. support for DeRonceray, who until recently dismissed a party organization as "not his style," is very narrow. According to the Embassy, the unpredictable Claude has authoritarian tendencies and apparently believes he has been chosen by God to rule Haiti.

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The Left

The Communist party is the best organized group on the left, but we believe growing differences among the leadership over strategy may inhibit the party's further political progress. Available evidence indicates that the small size of the party's membership—US

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Prominent Haitian Political Leaders and Groups

Leader	Group	Comment
Louis Eugene Athis	Democratic Movement for the Liberation of Haiti (MODELH)	Formerly Dominican-based exile political and labor movement now reestablished in Haiti. Socialist.
Marc Bazin	Movement for the Installation of Democracy in Haiti (MIDH)	Bazin, a respected economist and former World Bank official, was Minister of Finance in 1982. After returning from exile, Bazin formed MIDH last March to facilitate his presidential ambitions. Pro-US; perceived locally as "Washington's candidate."
Raphael Bazin	National Front for the Liberation of Haiti (FULNH)	[redacted] this groups has been active clandestinely in Haiti since 1983 and was responsible for printing and distributing anti-Duvalier pamphlets last year. Among those opposition leaders who called unsuccessfully for a general strike last June. Leftist oriented.
Sylvio Claude	Haitian Christian Democratic Party (PDCH)	Claude was an outspoken and uncompromising opposition leader during the Duvalier era. According to Embassy, he is erratic and possibly unbalanced mentally. Opposes the Namphy government but is generally pro-US.
Louis Dejoie, Jr.	National Agricultural and Industrial Party (PAIN)	Dejoie, a wealthy industrialist residing in Puerto Rico, claims to have organized resistance to the Duvalier regime. Dejoie is a presidential candidate and the son of a prominent opponent of Francois Duvalier.
Hubert DeRonceray	Movement for National Development (MDN)	DeRonceray is an intelligent and articulate former cabinet minister and critic of Duvalier. His political base is in Petit-Goave, and he may have limited national appeal. Conservative; pro-US.
Clovis Desinor	No party	US officials describe Desinor, a former Duvalierist Minister of Finance, as ruthless, corrupt, and opportunistic. Desinor has kept a low profile since Duvalier's ouster, but he reportedly has presidential ambitions. Generally unpopular, he could nevertheless garner the support of other influential Duvalierists. Far right; ultranationalist.
Thomas Desulme	No party	Former Duvalierist senator and industrialist long exiled in Jamaica. Returning to Haiti, he lost support by appearing to have dictatorial ambitions. Declared presidential candidate. Far right.
Gregoire Eugene	Haitian Social Christian Party (PSCH)	Eugene was a prominent opponent of Duvalier but hurt his credibility last year by negotiating with the regime to register his party. Centrist.
Alex Fils-Aime Raymond Fils-Aime	Popular Movement for the Liberation of Haiti (MPLH)	[redacted] this group evolved from the late Lionel Laine's exile organization, which used several names. Some members reportedly trained in Libya, and group's leaders continue to seek Tripoli's assistance. The MPLH hopes to establish a broad leftist coalition and ties to other Caribbean radicals. May have terrorist capability. Far left; pro-Libyan.

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Prominent Haitian Political Leaders and Groups (continued)

Leader	Group	Comment	
Serge Gilles	Haitian Workers Party (PTH)	PTH's front group was the Union of Patriotic and Democratic Forces (IFOPADA), which projects a moderate social democratic image. The Embassy says Gilles recently left IFOPADA to start a new front group, the Nationalist Progressive Revolutionary Party (PNPR). Gilles and the PTH are Marxist; heavily influenced by Cuba.	
Gerard Gourgue	No party	A former member of the ruling council, Gourgue insists that he is not a political candidate, but some Embassy sources believe he has presidential ambitions. Ideology unclear, but Gourgue has cooperated with the left on some issues.	
Michel Legros	Haitian League for the Implementation of Democracy (LHID)	Far left group with ties to the MPLH. [redacted] [redacted] Reportedly seeking cooperation with the Unified Party of Haitian Communist.	25X1 25X1 25X1
Leslie Manigat	National Progressive Democratic Group of Haiti (RDNP)	Manigat, long a resident of Caracas, is a declared presidential candidate. [redacted] [redacted] he is currently in the strongest position among presidential aspirants. The RDNP is social democratic and linked to the Socialist International.	25X1 25X1 25X1
Evans Paul	Committee for Democratic Unity (KID)	KID has led several antigovernment demonstrations in Port-au-Prince and was implicated in the agitation at Fort Dimanche in April. The group claims membership of journalists, students, and radical clerics. Evidence suggests KID engages in clandestine subversion, possibly in coordination with the Communists. Far left.	
Bernard Sansaricq	Haitian National Popular Party (PPNH)	Former exile and veteran of unsuccessful coup attempts, Sansaricq is a declared presidential candidate. [redacted] [redacted] Embassy says he appears to have moderate views but may be maintaining a covert capability. Political base may be limited to town of Jeremie.	25X1 25X1
Rene Theodore	Unified Party of Haitian Communists (PUCH)	The pro-Moscow Communist Party has emerged as an active and well-funded group: [redacted] [redacted]	25X1 25X1 25X1
[redacted]			25X1

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officials estimate the total at roughly 2,000—precludes it from gaining legal recognition. The obstacles to the Communists posed by the political parties law have caused debate among their leadership over strategy. [redacted] Communist leader Rene Theodore rejects the law's membership requirement but is resisting pressure by some leading party stalwarts to shift totally to covert operations. [redacted] some Communists oppose Theodore's strategy of overt political activity because they believe it leaves the party vulnerable to a crackdown. [redacted]

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The Embassy reports that the leftist-dominated Liaison Committee of Democratic Forces, like the Communists, rejects the political parties law. Most of the ruling council's loudest critics have coalesced in this organization. [redacted] the Liaison Committee is the brainchild of radical leftists Raymond and Alex Fils-Aime of the Popular Movement for the Liberation of Haiti. [redacted] the Popular Movement and other small leftist groups encouraged the formation of the Liaison Committee ostensibly as a broad front. [redacted]

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According to the Embassy, leftists dominating the Liaison Committee may have a strategy to keep the government on the defensive through harsh public criticism in hopes of undermining consolidation of democratic structures. So far, according to US officials, the Liaison Committee has received more attention from the press than public support. [redacted]

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The Communists may be attempting to manipulate the Liaison Committee through secret membership. [redacted] a prominent Communist supports a united front of opposition groups dominated by the left but opposes overt Communist party membership in the organization. The Communist leadership, [redacted] prefers to try to influence the Liaison Committee behind the scenes, and in informal alliance. Toward this end, the speech of a senior Communist official at a Liaison Committee press conference following public demonstrations against Secretary of State Shultz's visit in August marked the first overt Communist participation in the coalition's activities. [redacted]

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The Right

[redacted] old-guard Duvalierist politicians, rightwing business interests, and conservative military officers are keeping a low profile while trying to preserve their considerable clout in the new government. [redacted]

[redacted] at least some wealthy businessmen are attempting to identify a viable Duvalierist or other staunchly conservative presidential candidate whom they could support and influence. The Haitian right, however, like other interests across the political spectrum, is beset with personal rivalries that work against effective coordinated action anytime soon. [redacted]

Clovis Desinor, former Finance Minister and onetime heir apparent to former President Francois "Papa Doc" Duvalier, appears to be the favorite candidate of some powerful rightwingers. [redacted]

[redacted] Desinor has not publicly declared his presidential candidacy even though he intends to run. [redacted] He reportedly lacks a party organization, however. [redacted]

Duvalierist and other conservative interests remain pivotal players in Haitian politics. [redacted]

[redacted] the ultimate political survival of any president depends on his ability to protect the fortunes and perquisites accumulated by government officials under the Duvalier regime. In addition, [redacted] the leadership of the armed forces wants prior guarantees on its future role and benefits before favoring any presidential candidate. [redacted]

[redacted] unspecified candidates have made such guarantees privately, but we have no evidence that military leaders firmly support any politician. [redacted]

Outlook

We doubt that an obvious front-runner for the presidency will emerge from Haiti's fluid political environment in the next few months. Because the ad hoc local committees that have sprung up throughout the country since Duvalier's ouster have a

demonstrated potential for influencing and mobilizing voters, serious contenders almost certainly will have to gain the support of these groups. With the election more than a year away, prospective candidates still have ample time to build their organizations and expand their appeal. Although we believe the ruling council is firmly committed to building a democratic electoral process, the military is certain to exercise its influence, or take stronger action if necessary, to protect its institutional interests and those of its leadership no matter who emerges in front politically. [redacted]

The ruling council faces several more immediate political concerns. The council is likely to encounter difficulty in attracting enough competent representatives to allow the Constituent Assembly to begin drafting the constitution this fall. Many potential representatives are reluctant to be identified closely with the transitional government out of fear that this would harm their political prospects. The council's inexperience with electoral procedures also portends several logistic problems in registering for the election. [redacted]

We believe the far left will seize upon any failure of the ruling council to adhere to the electoral timetable as evidence that the government is undermining the transition to civilian rule. If the Communist party fails to achieve legal status and the right to participate in the political process, it probably would revert primarily to covert activity and subversion. Such a move would pose a serious threat to the transition effort. [redacted]

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El Salvador: Private Sector Uneasiness

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Relations between President Duarte and the private sector in El Salvador have been marked by mutual distrust, strong ideological differences, and conflict over economic policy. Even though private sector cooperation is essential to revitalize El Salvador's economy, Duarte has continued to concentrate on improving the economic and social conditions of the lower classes and has largely ignored the needs of the business community. As a result, businessmen have remained unwilling to increase investment or expand production. The adversarial relationship between Duarte and the business community shows no signs of abating, and the poor economic prospects suggested by this standoff will probably force the government to remain heavily dependent on US economic assistance to generate even small levels of economic growth.

Poor Business Climate

The differences between Duarte and the private sector date to 1980 when Duarte, as head of a civilian-military junta, spearheaded reforms aimed at redistributing wealth and breaking the private sector's control over the economy. The major initiatives—agrarian reform and nationalization of export industries and the banking system—robbed the private sector of both political and economic power. Even though Duarte has not enacted major reforms since his election as President in 1984, he believes that Salvadoran businessmen and the upper class should bear most of the sacrifices necessary to achieve a socially equitable economic recovery.

Duarte's opposition to the private sector has hurt the economy. The political and economic fallout from the 1980 reforms—coupled with the continuing insurgency, slack regional trade, and low prices for agricultural export crops—has led to depressed levels of investment and reduced both agricultural and industrial production. Gross fixed private investment is roughly equivalent to what it was in 1971, and less than half the 1978 peak. The industrial sector is

El Salvador: Gross Fixed Private Domestic Investment, 1970-85

	Investment (million US \$)	Annual Change in Investment (percent)	Investment as a Share GDP (percent)
1970	195.6	NA	8.1
1971	209.3	7.0	8.3
1972	272.0	30.0	10.2
1973	245.7	-9.7	8.8
1974	281.0	14.4	9.4
1975	320.3	14.0	10.2
1976	355.1	10.9	10.9
1977	430.8	21.3	12.5
1978	495.3	15.0	13.5
1979	371.2	-25.1	10.3
1980	189.4	-49.0	5.7
1981	161.3	-14.8	5.3
1982	151.0	-6.4	5.3
1983	164.0	8.6	5.7
1984	186.0	13.4	6.3
1985	202.7	9.0	6.8

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operating under 70 percent of capacity, according to the World Bank, while the 1985/86 coffee harvest may be the lowest in 20 years, according to the US Embassy.

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Businessmen remain concerned about their inability to influence economic decision making and fear that Duarte will attempt to increase the state's control over the economy. Low business confidence is aggravated by cumbersome bureaucratic procedures and mismanagement. Embassy reporting provides numerous instances where the lengthy and difficult process of getting foreign exchange has cost business

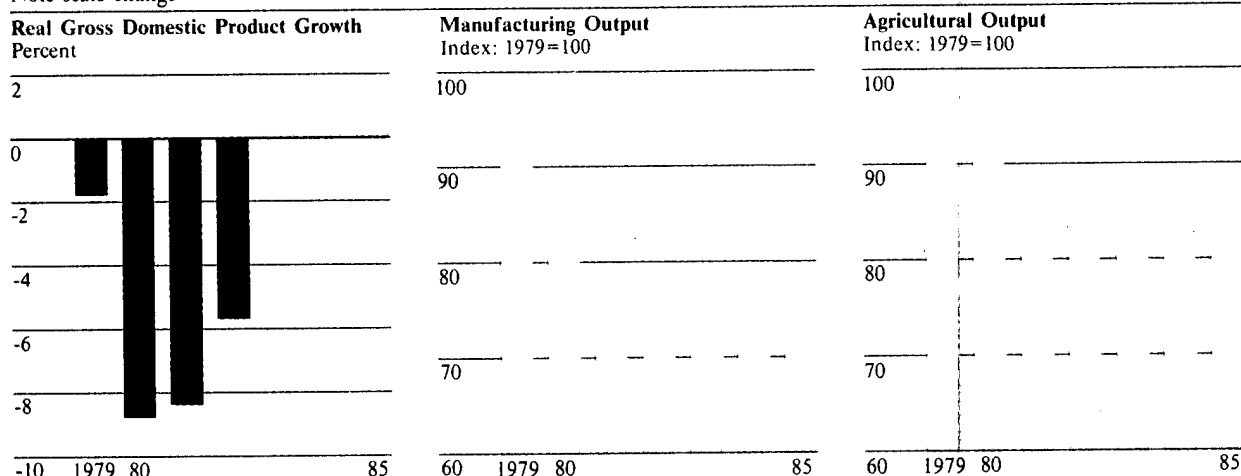
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sales. Businessmen correctly perceive that the government has virtually ignored major macroeconomic problems such as the need to earn foreign exchange by stimulating exports. []

Nonetheless, strong backing from the United States and the Salvadoran military has bolstered Duarte's position vis-a-vis the private sector. The President's ability to control policy is also enhanced by his party's control of the National Assembly. Embassy reporting indicates that the Salvadoran business community realizes that US military and economic aid has accelerated the downward trend in political violence, substantially improved the counterinsurgency effort, and raised El Salvador's international image. As a result, the serious problem of capital flight—which reached more than \$1 billion during the peak of violence in 1981-82—appears to be stemmed. []

Despite the improvement in the security situation, however, progress in subduing the insurgency has been gradual and costly. Moreover, the guerrillas increasingly have focused on economic sabotage in an effort to offset the superiority of the armed forces and highlight the vulnerability of the government. As a result, the domestic climate has remained tenuous and strongly unfavorable to either domestic or foreign investment. []

Efforts at Accommodation Fall Short

Many in the government appear to recognize that the cooperation of the private sector—which produces roughly 70 percent of gross domestic product—is essential for stable, long-term economic growth.

[] Duarte is being

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pressured by members of his own party to be more conciliatory. In particular, Minister of Planning Fidel Chavez Mena—who hopes to be the next president—has attempted to establish cordial relations with the business community. []

Duarte could ease tensions with the private sector, both by providing economic incentives and by modifying the way he deals with the business community, but his options are constrained by his need to be responsive to his constituents—particularly labor and peasant groups. Embassy reporting indicates that the President's concerns about the potential for leftist labor agitation and his desire to strengthen his support among democratic unions caused him to soften the impact of his January austerity program by maintaining price controls and subsidies and including some salary increases. Many of the reforms that would be most effective in boosting private-sector confidence and improving economic prospects—such as additional devaluations—would impact negatively on the lower classes and therefore tend to be rejected out of hand by Duarte. []

Private sector leaders have initiated dialogue with the government on several occasions in an effort to improve relations, and several business groups have given Duarte proposals for revitalizing the economy. The US Embassy reports that some moderate businessmen have made efforts to improve communication, but [] they feel their suggestions have been ignored. Further complicating matters, a hardline minority continues to try to foment opposition to the government. For example, [] the January announcement of the austerity package precipitated efforts by rightist businessmen to mobilize public protests and form a broad-based opposition front to demand revisions in the program. These efforts so far have failed, however, because of a lack of broad private sector support, financial difficulties, and distrust of rightist intentions by labor groups. []

Reconciliation Unlikely

Relations between the private sector and the government are unlikely to improve significantly in the next two years, making the prospects for sustained

economic recovery poor. Despite the importance of the private sector, we expect that Duarte will continue to lean toward satisfying popular demands at the expense of measures to restore business confidence. For its part, the business community probably will remain unwilling to boost investment or contribute to the revival of the economy without some signs of conciliation from the government. []

In our judgment, the private sector will not abandon its cautious attitude or be able to significantly alter the government's agenda. The country's seven major business organizations lack the unity or political clout to influence policy. Moreover, we believe that the reelection earlier this year of moderates to lead major private sector groups indicates little desire on the part of most businessmen to challenge the government. Rather, [] the business community will continue to work for a set of fair, mutually agreeable ground rules. []

As a result of the continuing stalemate in government-private sector relations, we expect economic growth to languish at 1 to 3 percent this year, well short of the level necessary to reverse the slide in real per capita income that started in 1980. In addition, we foresee no end to a reliance on agriculture for export earnings, as the business community will remain unwilling to move toward production of nontraditional exports without incentives from the government. []

Without increased private sector involvement in the economy, El Salvador's economic dependence on US aid may increase. In our judgment, Duarte believes he can rely on US economic aid to see him through hard times without making the politically risky reforms essential to restoring the economy or boosting private sector confidence. Duarte is unlikely to implement conditions attached to US aid that call for increased private sector-government cooperation if he believes they would weaken his popular support. Salvadoran businessmen, on the other hand, are likely to increase pressure on the United States to force Duarte to accommodate their interests. []

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Central America: Efforts To Revive Regional Trade

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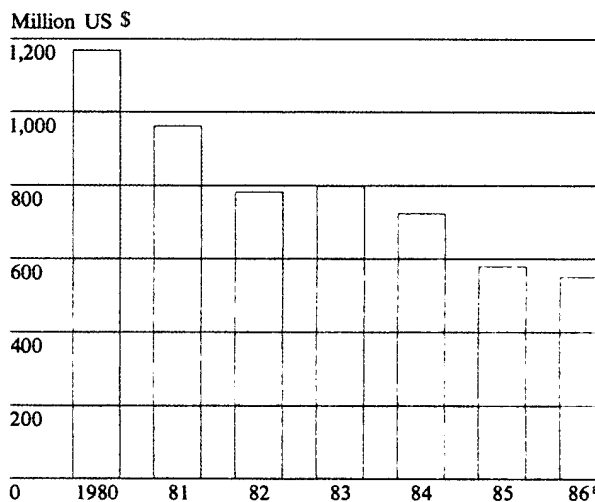
Efforts to revive Central American regional trade—which has fallen sharply since 1980—are being given new emphasis in an attempt to boost the sagging economies of the five nations. The May 1986 Central American presidential summit and subsequent meetings have resulted in several proposals to address some of the near-term obstacles to trade. Nonetheless, although the countries continue to recognize the importance of maintaining good commercial relations, a lack of movement in resolving other more fundamental economic problems probably will postpone any substantial progress in revitalizing regional trade. Even with some success in boosting regional exports, heavy dependence on US markets and bilateral economic aid will continue.

Daunting Problems

Political turmoil and mounting trade and debt problems have substantially reduced regional trade in Central America. Since 1979, the value of trade has plunged from a high of more than \$1 billion to an estimated \$580 million in 1985, and another decline is likely for 1986. The 25-year-old Central American Common Market (CACM)—the region's principal trade organization, which until 1980 was successful in promoting free trade in manufactured goods among the five countries—has been battered by regional developments. In an effort to boost economic growth, output, investment, and employment, the Central American countries have come out strongly in favor of restoring the CACM and its moribund institutions.

Insurgencies in El Salvador, Nicaragua, and Guatemala remain the biggest obstacles to a resurgence of regional trade. In addition, Nicaragua's political isolation and increasing state control over its economy—in sharp contrast to its neighbors—constrains attempts to coordinate economic policies or obtain foreign aid. For example, according to US Embassy reporting, the former President of Costa Rica did not include Nicaragua in an economic initiative he announced in July of 1985, both because of political reasons and a realization that Managua's

Central American Common Market: Regional Exports, 1980-86

^a Estimated.

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participation would greatly reduce prospects for new financial assistance, particularly from the United States. With or without Nicaragua's participation, however, efforts to revive regional trade face a number of more fundamental impediments.

Large trade imbalances within the region make the task of revitalizing the CACM more difficult. In particular, the failure to maintain realistic exchange rates has resulted in substantial trade deficits—for Honduras, in particular—because overvalued currencies have encouraged imports and made exports less competitive. These pressures have been

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exacerbated by differing levels of industrial development and by limited demand for each other's exports. As a result, some countries—most notably Costa Rica—have been able to run up trade surpluses with their neighbors. At the same time, uncompetitive exports as well as low commodity prices have led to unfavorable trade balances with the rest of the world for every country in the region, resulting in critical shortages of hard currency, import restrictions, and lowered production.

Trade imbalances have led to the breakdown of the regional payments system—the Central American Clearing House (CACH)—decreasing both trade opportunities and efficiency. The CACH was set under the Common Market to facilitate regional trade by allowing trade debts to be settled in local currencies, with net surpluses or deficits balanced by hard currency payments between member countries' central banks every six months. The inability either to maintain balanced trade or settle imbalances in hard currency, however, has effectively forced the member countries to demand payment in dollars for their exports, eliminating the use of credit lines of local currencies through the clearinghouse. With the withdrawal of both Costa Rica and Guatemala from the CACH this spring, official trade in the region has effectively been put on a cash—hard currency only—basis. The breakdown of the payments system also has resulted in increased barter trade throughout the region. Honduras and Nicaragua, for example, signed a \$10 million trade agreement in June.

Unsettled clearinghouse debts will be an obstacle to any renewal of regional trade. Embassy reporting indicates that total accumulated debt resulting from trade within Central America is \$750 million. Although Nicaragua owes by far the largest portion—some \$480 million, other debtors in the region also have found themselves unable or unwilling to repay their smaller arrearages, which has led to increased trade friction. Costa Rica recently halted trade with Guatemala for several weeks because the Guatemalans had made little progress in repaying their \$70 million trade debt. The two countries engaged in a similar standoff for over three months in 1985.

New Initiatives Spark Hope

Although the serious decline in regional trade has been a topic of continuing interest in the region, the Central American summit last May focused new attention on the importance of maintaining and improving commercial relations. The presidents expressed strong support for reviving the CACM, in addition to calling for a united approach to developed countries on issues such as the region's debt burden and maintaining commodity prices, according to Embassy reporting. While no specific proposals came out of the summit, it has, in our view, generated increased momentum to solve the problems hampering the Common Market.

Since the summit, Central American ministers of economy and central bank presidents have met twice to discuss eliminating trade arrearages and restoring the payments system. In July, the group proposed solutions that included linking regional debt amortization to total exports, and arranging partial payment of debt in goods, according to US Embassy reporting. In August, they approved the creation of a new commercial instrument—the Central American Import Right (DICA)—designed to revitalize the payments system. The DICA will be denominated in US dollars but will be purchased from the importer's central bank using only local currencies at prevailing rates of exchange with the US dollar. Although it will not be convertible to dollars, it can be used to purchase goods from the issuing country, or it can be sold to third parties who want to import from that country. We believe that the ability of holders to transfer the DICA should, at the very least, facilitate some trilateral barter trade deals.

Some exchange rate adjustments have also been undertaken. Guatemala and El Salvador both devalued their currencies this spring as part of their economic programs, according to US Embassy reporting. Paradoxically, the demise of the clearinghouse may also encourage efforts to adjust exchange rates to levels more attuned to the market. Honduras, for example, responded to Guatemala's withdrawal from the CACH by requiring that

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Guatemalan goods be paid for with foreign exchange either from Honduran exports to Guatemala or purchased at the free market rate in Honduras.

Nicaragua is taking advantage of the efforts to revive trade by moving to deal with a portion of its regional debt on a bilateral basis. Managua has approached both Guatemala and Honduras about rescheduling its debt. Embassy reporting from Guatemala indicates that the Sandinistas proposed a four-year grace period, with repayment over the subsequent six years. Although critical shortages of foreign exchange make Managua's repayment of debt almost impossible—even with exceptional concessions—Nicaragua's creditors probably believe they have nothing to lose by attempting to arrange repayment schedules or partial payment in goods.

Prospects Remain Dim

We believe the CACM in some form is likely to remain a major outlet for the region's exports, but ineffective trade policies and declining export opportunities will continue to reduce production and employment and constrain economic growth. Until the underlying causes of the decline in regional trade are addressed, progress on specific problems—such as the breakdown of the payments system—will not be lasting. The creation of the DICA—although a marginally positive move—still fails to address the fundamental trade and payments problems facing the region. For example, exporters will still probably demand hard currency for their products if there is no third-party market for the nonconvertible DICA.

Moreover, the existing political instability will limit the ability of Central American governments to manage a regionally coordinated economic policy. Despite the small bilateral trade deals and debt negotiations with Managua, the Sandinistas remain politically isolated by their neighbors, making it unlikely that the Common Market can be revived in its original form, or regional trade restored to previous levels.

The loss of employment and export opportunities will contribute to the region's continuing dependence on bilateral US assistance to provide balance-of-payments support and to maintain even small levels of economic growth. Although the Caribbean Basin Initiative has provided new opportunities for Central American exports to enter the US market, declining regional markets may put additional pressure on the United States to absorb an even greater share of exports.

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Ecuador: Military Support for Febres-Cordero

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Concerned that the left will use its absolute majority in Congress to destabilize the government, the Ecuadorean military is closing its ranks behind President Febres-Cordero. Army Commander Asanza and the other military chiefs have made common cause with the President in opposing the left's call for a general amnesty for imprisoned government foes, which would include former Air Force Commander Vargas. Recent examples of military support suggest that the rifts and divisions that contributed to the Vargas mutiny against Febres-Cordero last March are subsiding and that the President can depend on considerable military backing.



President Febres-Cordero's strong military support is likely to hold the leftist opposition at bay.

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Vistazo

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Background

The highly politicized Ecuadorean military has frequently intervened in politics, sometimes to act as an arbiter and at others to govern directly. Having relinquished power only seven years ago, the armed forces continue to exert strong influence on the political process.

airbase, in the second stage of the mutiny—and directly challenged the President, who called on the Army to dislodge the rebels.

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The two previous center-left administrations of Jaime Roldos and Osvaldo Hurtado were careful not to interfere with the military—they protected the military's budget and its guaranteed share of oil profits, even during Hurtado's last ditch austerity drive. Nevertheless, the military grew restless under center-left governments and rallied to the candidacy of conservative Febres-Cordero during the 1984 campaign. the military stood ready to intervene in his favor, particularly after charges began to emerge that the opposition would defraud him.

Loyal troops moved against Vargas and, with relatively little bloodshed, quashed the rebellion, but the seven-day power play exposed embarrassing rifts within the military and strained previously excellent relations with the President. The opposition, which had reportedly offered Vargas support in his attack on the President, aggravated these problems by seizing on the accusations leveled at Cabinet ministers as a central political issue. Hoping to tarnish Febres-Cordero, the left continued to support the imprisoned Vargas and lambasted the President for continuing to tolerate corruption. Leftist parties capitalized on this issue in the June elections, and their victories gave them absolute control of the new Congress.

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Under Febres-Cordero, government military relations quickly improved and remained sound until the Air Force mutiny that was led by then Air Force Commander, Frank Vargas. Vargas charged the Defense Minister and Army Commander with misappropriation of military funds and demanded their resignations. Although they did step down, Vargas resumed his mutiny—taking over a Quito

The Ascendancy of General Asanza

Lt. Gen. Jorge Asanza, named Army Commander by Febres-Cordero following the rebellion, moved quickly to consolidate his authority and eliminate the divisions exposed and aggravated by the mutiny.

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Vistazo

Army Commander Asanza leads the military hierarchy in making common cause with the President in opposition to the left's call for a general amnesty. [redacted]

Asanza removed allies of Vargas and the deposed Defense Minister and Army chief from their posts, replacing them with his own men. Asanza assumed direct command of units that had been favored by the deposed leadership. [redacted]

A politically shrewd and ambitious officer, Asanza is closely allied to Febres-Cordero and believes political moderation in support of the status quo are in the military's, and also his own, interests. He has emphasized the effectiveness and professionalism of the military, underscoring its right to play a more dynamic and important political role. While some high-level officers initially opposed his aggressive reforms, their voices have faded as Asanza has used his political and institutional power to assume a more pronounced role in Ecuadorean politics. [redacted]

The Amnesty Controversy

The left's attempt to issue a general amnesty—to include Vargas, the exiled Roldosista leader, Abdala Bucaram, and jailed terrorists—has become a major test of strength between the military in support of Febres-Cordero and the opposition-controlled Congress, according to US Embassy and press reports. Both Asanza and Defense Minister Medrano Salazar condemned the amnesty as an attack on constitutional values and declared that the military would not accept congressional pardons for Vargas and the others. Asanza has privately tried to dissuade opposition leaders from moving forward on the pardons [redacted]. Seizing on the military's strong show of support,

Febres-Cordero and Government Minister Luis Robles, who faces interpellation and possible removal in the weeks ahead, reportedly told opposition leaders that continued support for amnesty would inevitably result in a military coup. Moreover, [redacted]

[redacted] some leftist leaders are beginning to believe that the armed forces would, indeed, step in if Congress persists in granting a general amnesty. [redacted]

Outlook

In our opinion, Febres-Cordero is gambling that the threat of military action will be enough to discourage the left from trying to destabilize the government and prompt moderate opposition leaders to control their more radical colleagues. Nevertheless, if the left persists in its call for amnesty, the President's strategy could backfire and the military may be forced to actually intervene. With the military behind him, however, we believe the President will probably succeed in blocking the general amnesty and score a major victory over the opposition, which has turned the issue into a blatant and direct attack on the government. [redacted]

[redacted] some opposition parties, sobered by the prospect of military intervention, have begun to reassess their stances on amnesty. Even if the opposition does back down on amnesty, however, Ecuadorean politics are likely to become increasingly polarized as Febres-Cordero and the left continue their confrontational course elsewhere. [redacted]

[redacted]

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Venezuela: Politics and Labor

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Although the presidential election is nearly two years off, Venezuela's political pulse has begun to quicken, and organized labor is emerging as a major player. Labor traditionally has been important within the ruling Democratic Action party, but during this election campaign President Lusinchi, who cannot succeed himself, and the party hierarchy will probably give the unions an even greater voice. Party leaders see labor as a necessary ally to thwart the electoral ambitions of former President Carlos Andres Perez, who leads the party's populist wing. Union leaders will press for higher wages, stronger price controls, greater government intervention in the economy, and stimulative measures to alleviate the effects of the lingering economic downturn. Lusinchi is likely to go along with most of these demands, which could boost inflation and distort the economy over the longer term. []

Democratic Action and Labor

Created and led by Democratic Action militants in the 1940s, the Confederation of Venezuelan Workers (CTV) has played a key role in national politics and in the affairs of the ruling party. The CTV is the only significant labor federation in Venezuela and represents more than 1 million workers in key industries—including oil, transportation, and construction. Democratic Action party members hold almost 60 percent of the federation's leadership posts. By contrast, COPEI, the opposition Social Christian party, has a negligible role in the CTV and has never garnered much support from organized labor. []

Organized labor holds leadership positions within Democratic Action and has taken an active—and at times decisive—part in party decisions. []

[] Lusinchi's nomination in 1981 as the party's candidate was secured by Democratic Action's Labor Bureau, that represents organized labor within the party. In exchange, Lusinchi reportedly struck a deal with CTV leader Manuel Penalver, naming him Democratic Action's



The Daily Journal

Carlos Andres Perez is extremely popular, but he must overcome the opposition of moderates in the party hierarchy to win a reelection bid. []

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Secretary General—an unprecedented appointment for a labor figure. Strengthened by this alliance, Lusinchi turned back the populist challenge. []

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Labor Under Lusinchi

Organized labor vigorously moved to protect its economic interests following the President's inauguration in 1984. After Lusinchi announced an austerity program at the beginning of his term, labor pressed him to push through food and transport subsidies to allay their members' concerns. Moreover, Lusinchi has resisted pressure from business to devalue and has adopted a price freeze on 30 basic consumer items, a low cost housing program, and the extension of the free milk program, measures long urged by the CTV leadership, according to US Embassy and press reports. []

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Organized labor has also gained political power from its ties to Lusinchi. A cunning and determined politician, Manuel Penalver has staffed crucial leadership committees with trusted allies and deftly used patronage to consolidate his position. Penalver has put himself at odds with Perez, however. Last

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The Daily Journal

President Lusinchi will support efforts to block Carlos Andres Perez's bid for the presidency. Lusinchi leans toward candidacy of former Interior Minister Lepage. [redacted]



Zeta

Labor leader Manuel Penalver will use his strong influence in the party to try to thwart Perez. [redacted]

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year, Penalver and Luis Alfaro Ucero—Democratic Action's Organization Secretary and a strong ally of labor—blocked Perez's attempt to place his supporters on the National Executive Committee in an attempt to build a power base to back his 1988 candidacy. [redacted]

In reaction, the Lusinchi-Penalver alliance has intensified its efforts to block Perez. [redacted]

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[redacted] Already, Penalver has begun to mobilize the party machinery in anticipation of the coming struggle. [redacted]

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Outlook

While the Lusinchi-Penalver hold on the nominating committees appears secure now, top labor leaders will need to match Perez's promises with concrete gains for the rank and file in the coming months. Aware of the need to hold labor's support, Lusinchi, in our opinion, is likely to implement more stringent price controls, take—at least rhetorically—a more nationalistic tack with foreign creditors, increase wages, and resort to greater government intervention in the economy. By doing this, Lusinchi will be gambling that he and his allies can convince the party that—strengthened by labor's support—they can win in 1988 without Perez. [redacted]

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The Coming Confrontation

The deepening economic downturn, nevertheless, has enhanced the prospects for a Perez candidacy. True to his populist coloring, Perez is calling for more government spending and other statist remedies to overcome economic problems. This rhetoric—extremely popular with workers—and Perez's own personal appeal could erode the leadership's hold on the nominating process tentatively scheduled to conclude next year. Moreover, COPEI's recent strong showings in national polls has led some party officials to view Perez as a possible bulwark against defeat in 1988. [redacted]

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Paraguay's Opposition Parties

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Since 1954 President Alfredo Stroessner has faced virtually no serious challenges to his Colorado Party and military-based authoritarian regime. The government tightly controls the opposition, keeping it small and fragmented. Over the past year, however, the opposition parties have begun to mobilize and speak out against the Stroessner regime. Although still too weak to threaten his rule directly, the opposition—through attempts to unify parties and a push for a government-opposition dialogue—is working to increase its influence and promote a transition to democracy. These initiatives are unlikely to have a significant political impact in the short term, but we believe they may eventually contribute to political liberalization in Paraguay.

Role of the Opposition

Stroessner, in our view, realizes that he must sanction some opposition to the Colorado Party to lend credibility to his government's frequent public assertions that Paraguay is a democracy. Despite the claims, he keeps the opposition parties on a short leash: presidential elections are held every five years, but, according to the US Embassy, the government rigs the voting and denies the opposition access to the media. In addition, Stroessner has imposed a continuous state of siege that restricts the parties' ability to organize and criticize the government. These measures have effectively eliminated any true challenge to the regime.

Over the past few months, however, Paraguay's opposition has violated government restrictions and become more vocal and active. The police have violently suppressed an increasing number of protests and opposition rallies, thereby highlighting the essentially authoritarian nature of the Stroessner regime. Moreover, we have observed a movement for unification and reorganization among opposition groups as they prepare for the 1988 presidential elections and approach the end of the Stroessner era.

The Legal Opposition

The Colorado and Liberal Parties historically have dominated Paraguayan politics. The old Liberal Party, which ruled Paraguay for the first half of this century, has splintered into several groups, all claiming to follow the "true" liberal tradition. Two of these parties, the small Liberal Party (PL) and the somewhat larger Radical Liberal Party (PLR), are recognized by the government and participate in elections. As the legal opposition, the PL and PLR are constitutionally allotted one-third of the legislative seats in Congress. According to the US Embassy, the PL follows a conservative anti-Communist ideology that mirrors Colorado doctrine. The PLR, on the other hand, claims to seek democratic reforms and is somewhat left of center on socioeconomic issues, according to Embassy reporting. Academic and official sources agree, however, that neither party has any real influence in the legislature, although the PLR sometimes makes feeble gestures of independence such as threatening to withdraw from Congress to protest Stroessner's policies.

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The other officially recognized party, the Revolutionary Febrerista Party (PRF), has chosen not to participate in the electoral process until Stroessner lifts the state of siege. The PRF, whose roots go back to 1936, has been a member of the Socialist International since 1963 and identifies with social democratic parties in Western Europe. Most PRF writings have a Third World bent and criticize US economic imperialism in Latin America. The US Embassy reports that the Febreristas have approximately 20,000 members, but, as the least active of the opposition parties, we believe PRF membership may be dwindling.

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Illegal But Tolerated Parties

The Authentic Radical Liberal Party (PLRA), which split from the PLR in 1977, is proscribed by the government. While we believe it is Paraguay's largest

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Ultimas Noticias

Exiled PLRA opposition leader Domingo Laino—harshly treated by the Stroessner regime. [redacted]

opposition group, we have no way of verifying its claim to have some 234,000 members. The PLRA publicly asserts that its main goal is to establish democracy in Paraguay; it regularly denounces the other liberal parties, condemning them for legitimizing Stroessner's rule by participating in fixed elections. [redacted]

Although the government tolerates many PLRA activities, its role as the largest and most vocal of the illegal parties makes it a frequent target of regime harassment. The party participated in a number of rallies this year to protest government policies, but its demands for political change have only incited Stroessner to clamp down further on civil liberties. For example, press reports say that police responded to peaceful PLRA protests this spring with billy clubs, water cannons, cattle prods, and tear gas. In addition, police pummeled exiled PLRA Vice President Domingo Laino—Paraguay's most prominent and outspoken opposition leader—at Asuncion's airport when he tried to reenter the country in June. [redacted]

A smaller unrecognized group is the Christian Democratic Party (PDC), founded in 1965 and aligned with the Christian Democratic International. The PDC's primary objective is also establishing democracy in Paraguay, but in addition it is pressing for broader social change such as agrarian reform and an end to government control of labor unions and the

university. According to the US Embassy, the PDC has only obtained a third of the 10,000 signatures required to achieve legal status. [redacted]

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The Persecuted Opposition

Paraguayan authorities actively persecute two illegal opposition groups, denying them even the conditional freedoms granted the PLRA and PDC. The Popular Colorado Movement (MOPOCO)—formed by Colorado politicians who challenged Stroessner in the 1950s—functioned largely in exile in Argentina until 1983, when Stroessner permitted its militants to return to Paraguay. [redacted]

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[redacted] however, the government has placed severe restrictions on the returnees, blacklisting them from jobs and subjecting them to constant harassment and surveillance. In addition, no more than three MOPOCO members are allowed legally to meet together. In view of these restrictions, many MOPOCO members have remained in Argentina, according to the US Embassy. [redacted]

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The government is even tougher on the tiny Paraguayan Communist Party (PCP). The party—which probably has only a few hundred members—operates primarily in exile. [redacted]

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[redacted] The Paraguayan populace and most of the parties, however, tend to be extremely anti-Communist, and we believe the PCP will remain too small and weak over the next several years to have any appreciable impact on political developments.¹ [redacted]

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Prospects for Unity

All efforts by opposition elements to unify and form a common strategy against the regime have failed. The parties often seem more concerned with competing

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¹ Press reports indicate a group called the Gaspar Rodriguez de Francia Paraguayan Liberation Movement has recently been formed. The PCP has endorsed this new organization. We have no information, however, regarding the size and structure of the movement or the nature of its relationship with the PCP. [redacted]

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rather than collaborating with one another, and are divided by longstanding personality feuds and arcane ideological quarrels. Nevertheless, current attempts at unification hold some promise because several key parties appear willing to compromise on divisive issues. []

A Unified Liberal Party. The primary stumblingblock in discussions between the Liberal parties has been the issue of electoral participation. According to the US Embassy, however, the newly elected PLRA leadership is now willing to contest elections and has considered nominating Domingo Laino as its candidate against Stroessner in the 1988 presidential contest. The press reports that representatives from all three Liberal Parties recently met to discuss unification, and the Embassy adds that the government is planning to allow Laino to return to Paraguay soon—apparently calculating that he is more harmful in exile than he would be inside the country. We believe, however, that Laino's return could galvanize the opposition and promote closer ties to the Liberal parties. []

The National Accord. The National Accord, an umbrella group organized in 1979 that includes the Febreristas, the PLRA, the Christian Democrats, and the MOPOCO, provides a public platform for the opposition. The Accord seeks the lifting of the state of siege, the return of political exiles, and the reopening of *ABC Color*, the popular newspaper Stroessner banned in 1984. The Accord has been more active over the past year and recently launched a call for "national dialogue" among all sectors of Paraguayan society—businessmen, peasants, labor unions, and so forth—to seek a peaceful transition to democracy. The Catholic Church supports the plan, and has volunteered to coordinate the talks. Thus far, however, the Colorado Party has refused to participate, arguing that Congress already supplies a forum for dialogue. []

Nevertheless, we believe the chances for some kind of government-opposition dialogue are improving. Participation in such an initiative, coupled with Laino's return, would ease some of the growing international pressures on Stroessner to liberalize his regime and control human rights abuses, while

allowing the President to make some cosmetic changes without jeopardizing Colorado hegemony. Moreover, we believe that sectors of the Colorado Party are concerned about its image and ability to maintain control after Stroessner dies. Some reform-minded Colorados probably calculate that participation in the "dialogue" could help stem any eventual loss of popular support to the opposition. Many openly support the idea; last June, for example, Colorado President Juan Ramon Chavez met with Asuncion Bishop Jorge Livieres Banks to preserve lines of communication between the government and proponents of dialogue. []

Outlook

Despite the recent upsurge of opposition activity, Stroessner and the Colorado Party will almost certainly remain firmly in control over the next year. The opposition, in our view, has little chance of acquiring the organization, unity, and mass popular support it would need to challenge Colorado supremacy. In addition, Stroessner is likely to retain the loyalty of the armed forces and will not hesitate to use them to quash any dissent that might threaten his regime. []

Nevertheless, we judge that the opposition's influence in Paraguayan politics will continue to grow. A unified Liberal party—especially if dominated by dynamic PLRA militants—could mobilize some of the latent discontent with Stroessner and in time become a credible alternative to the Colorados. Moreover, a national dialogue would for the first time provide an organized forum for communication among all sectors of Paraguayan society. While neither of these developments would significantly alter Paraguay's political dynamics in the short run, both would provide new outlets for the opposition and give both it and Colorado reformists a stake in an orderly transition to a less authoritarian form of government during the post-Stroessner era. []

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Latin America
Briefs

Colombia	Guerrilla Offensive [redacted]	25X1
	Despite a considerable government counterinsurgency effort, a 400- to 600-strong guerrilla force continues to wage a low-intensity war in rural southwestern Colombia. [redacted] says that 10,000 government troops have recently been mobilized to counter an offensive by the National Guerrilla Coordinating Committee (CNG), a coalition of insurgent groups led by Colombia's M-19. The CNG's multinational America Battalion, which includes elements of most Colombian groups not participating in the government's peace process, has been active in the area since early 1986. [redacted]	25X1
	[redacted] 38 guerrillas and 37 government troops were killed in August in the mountainous Cauca department. The insurgents have staged large-scale attacks as well as ambushes, in one case storming a town and holding it for 15 hours against several military units. Local press reports say that the government is supporting ground operations with Air Force paratroopers and special counterinsurgency units, and has blocked key roads in the area to prevent the guerrillas from resupplying. The large-scale counteroffensive underscores newly inaugurated President Barco's determination to deal firmly with guerrillas who refuse to join the largest insurgent group, the Revolutionary Armed Forces of Colombia, in the government's peace process. [redacted]	25X1
	[redacted]	25X1

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